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From: Pasco, Brian L - Washington, DC <Brian.L.Pasco@usps.gov>
To: Knopf, Michael (NYC-UMW); Krage Strako, Jakki - Washington, DC; Monteith, Steven W - Washington, DC; Karpenko, Christopher J - Washington, DC; Marino, Jeffrey C - Washington, DC; Winters, Cecelia A - Houston, TX; Corcoran, Frank W - Washington, DC; Hunter, Brionna K - Washington, DC; Poling, Todd W - Washington, DC; Starr, Shalene M - Washington, DC
CC: Lang, Jenny (NYC-MGL); Merlino, Vincent (NYC-UMW); Lee, Rich (NYC-UMW); Catucci, Lisa (NYC-UMW)
Sent: 3/13/2019 8:34:16 AM
Subject: RE: Flash POV: Google Ad Manager Switches to 1st Price Auction

Great info, thanks Michael

From: Knopf, Michael (NYC-UMW) [mailto:Michael.Knopf@umww.com]
 Sent: Tuesday, March 12, 2019 5:00 PM
 To: Krage Strako, Jakki - Washington, DC <jakki.m.strako@usps.gov>; Monteith, Steven W - Washington, DC <steven.w.monteith@usps.gov>; Karpenko, Christopher J - Washington, DC <christopher.j.karpenko@usps.gov>; Marino, Jeffrey C - Washington, DC <Jeffrey.C.Marino@usps.gov>; Winters, Cecelia A - Houston, TX <cecilia.a.winters@usps.gov>; Corcoran, Frank W - Washington, DC <Frank.W.Corcoran@usps.gov>; Hunter, Brionna K - Washington, DC <Brionna.K.Hunter@usps.gov>; Poling, Todd W - Washington, DC <Todd.W.Poling@usps.gov>; Starr, Shalene M - Washington, DC <shalene.m.starr@usps.gov>; Pasco, Brian L - Washington, DC <Brian.L.Pasco@usps.gov>
 Cc: Lang, Jenny (NYC-MGL) <Jenny.Lang@magnaglobal.com>; Merlino, Vincent (NYC-UMW) <Vincent.Merlino@umww.com>; Lee, Rich (NYC-UMW) <Rich.Lee@umww.com>; Catucci, Lisa (NYC-UMW) <Lisa.Catucci@umww.com>
 Subject: [EXTERNAL] Flash POV: Google Ad Manager Switches to 1st Price Auction

Team,

Google has announced that they will be shifting to a first price bidding model. With this, Google now joins the rest of the industry in a trend away from second price bidding that began more than a year ago. To help unpack what this means, please see MAGNA's Flash POV below.

How this impacts USPS: By the end of 2018, half of our bid-based inventory through Cadreon was already coming from first price auctions without a significant impact in rates. This has been done by evaluating auctions and only bidding rates that are deemed acceptable. If a spike or unusual rate shift is noticed, we don't move forward. With the DV360 linkage, we may increase our allocation to Google. However, as first price bidding rolls out, we will monitor performance for any spikes in costs. The Flash POV can be found below:

[<https://gallery.mailchimp.com/23b4abef15dcd7163f6e9a31f/images/d1d60eb3-335b-4f77-88f0-ae4f0e01aeb2.png>]

Lone Holdout Google Makes the Switch to 1st Price Auction Model for Ad Manager
 by MAGNA and Cadreon Teams

What Happened?

Google announced that they are transitioning Google Ad Manager (formerly Google AdX), their programmatic exchange and ad serving platform, to a 1st price auction structure, by the end of the year. Previously, Google had affirmed their intention to maintain a traditional 2nd price auction structure on Google Ad Manager. Google was the last exchange operator remaining loyal to the legacy 2nd price programmatic auction structure. This means that by the end of the year, the majority of the open programmatic environment will transact on a 1st price basis.

What is a 1st Price Auction and a 2nd Price Auction? Why switch?

In a 2nd price auction, brands trying to buy an ad impression submit bids, but the winning brand pays only one cent more than the next highest bid. For example, if three brands submit bids of \$10, \$5, and \$3 respectively, the brand bidding \$10 would win, but would only have to pay \$5.01. Prior to a year ago, all advertising auctions worked in this way; search and social media auctions still work this way.

In a 1st price auction, the winning bidder pays their actual bid price (rather than one cent more than the next highest bid). In the same auction example above (bids of \$10, \$5, and \$3), the brand bidding \$10 would win, but would have to pay the full value of their bid - \$10.

2nd price auctions are superior as long as there is only one auction and trust that the "next highest bid" is real. While this may remain true in search or social media (where auctions take place within single unified platforms), it is no longer true in programmatic advertising. Dollars trying to buy an impression can pass through a warren of multiple auction layers, resellers, and other intermediaries. This results in both confusing outcomes where the highest bidder doesn't always win an impression, and also introduces enough murkiness into transactions that undisclosed fees can creep in. 1st price auctions cut through this confusion, gaining parity, but giving up the convenience and low prices that were found in the 2nd price ecosystem.

How Will This Change the Marketplace?

2nd price auctions gave brands protection from overpaying. As more auctions shift to 1st price, there will be a transition period of higher prices paid while bidding strategies readjust to the new normal. DSP platforms began adjusting their bidding algorithms more than a year ago to accommodate this change. Most exchange platforms also have algorithms that automatically adjust bids to optimize campaigns in this new 1st price environment. But the reality is that these algorithms have a long way to go before they can match the low prices and streamlined buyer experience found in 2nd price environments. In the meantime, bidding efficiently will involve constant tweaking by programmatic traders to optimize auction win rates and pricing. If there is a silver lining to these growing pains, it is that the logistics of optimizing an entirely 1st price campaign is less onerous than the status quo, where campaigns had to have both a 1st price bidding strategy and a separate 2nd price strategy for Google platforms. In the long run, the most significant impact of this change will be on the overall balance of power between brands, publishers, and ad tech in the programmatic ecosystem. The transition to 1st price auction dynamics is one of several changes occurring in the programmatic ecosystem (along with ads.txt, ads.cert, smart contracts, and supply path optimization) to ensure inventory is bought in the most direct and efficient way possible, and to maximize working spend.

Why Did Google Make This Decision?

Google has stated that they made this decision "to help simplify programmatic for our partners," but has not provided additional context beyond that. Many exchanges that previously made the switch to 1st price mechanics did so to create bid parity. Additionally, there is the likelihood that in a predominantly 1st price programmatic environment, exchanges still using 2nd price auction mechanics would lose most header/wrapper auctions, and ultimately see erosion in their transaction volumes.

Why is This Important?

Programmatic campaigns come with a huge number of benefits for advertisers, including reduced waste, enhanced targeting, improved reach, better measurement, and more effective attribution. For this reason, programmatic spend has skyrocketed and now represents more than \$34 billion of spending globally. That being said, concerns remain about the programmatic ecosystem.

The programmatic landscape as it currently exists has a substantial number of malicious actors doing their best to stand between brands and media owners and siphon away advertising dollars. Brands rightfully continue to push for increased visibility to ensure they're buying legitimate impressions for a fair price. While there will be some growing pains in the transition period, the switch to 1st price auctions is a key part of improving trust in the programmatic ecosystem and making it a fair and safe place to buy media.

What Does This Mean for Me if I'm a Cadreon Client?

Because the programmatic ecosystem has been moving towards a 1st price auction structure for more than a year outside of Google properties, Cadreon teams have significant experience setting bids in 1st price environments. Yes - clearing prices are typically higher in 1st price environments, especially for campaigns with an action-based KPI, so advertisers should be aware that they might see slight declines in cost efficiency metrics. And yes - Google is the biggest player, but they still represent less than half of the marketplace. This policy shift just means that the same campaign management nuances used in every other 1st price environment will be deployed to the total ecosystem. Cadreon knows how to navigate the full gamut of all DSP and SSP technology platforms and how to optimize even in the more expensive 1st price auction environment.

[<https://gallery.mailchimp.com/23b4abef15dcd7163f6e9a31f/images/41eb760c-2904-46ba-9744-1da3d2356c6e.jpg>]

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From: Catucci, Lisa (NYC-UMW) <Lisa.Catucci@umww.com>
To: Pasco, Brian L - Washington, DC; Karpenko, Christopher J - Washington, DC
CC: Knopf, Michael (NYC-UMW); Lockhart, Kenwin (NYC-UMW)
Sent: 9/24/2020 1:43:44 PM
Subject: [EXTERNAL] RE: VBM Display and Digital Video Plan Update

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Thank you and noted for the even pacing. We'll keep you updated with delivery.
 Thanks!

From: Pasco, Brian L - Washington, DC <Brian.L.Pasco@usps.gov>
Sent: Thursday, September 24, 2020 12:26 PM
To: Catucci, Lisa (NYC-UMW) <Lisa.Catucci@umww.com>; Karpenko, Christopher J - Washington, DC <christopher.j.karpenko@usps.gov>
Cc: Knopf, Michael (NYC-UMW) <Michael.Knopf@umww.com>; Lockhart, Kenwin (NYC-UMW) <Kenwin.Lockhart@umww.com>
Subject: [EXTERNAL] RE: VBM Display and Digital Video Plan Update

Thanks Lisa, if that's the case we are good with raising CPMs by [REDACTED]. Let's keep with even pacing through October rather than frontloading.

Thanks!

From: Catucci, Lisa (NYC-UMW) [mailto:Lisa.Catucci@umww.com]
Sent: Thursday, September 24, 2020 10:59 AM
To: Karpenko, Christopher J - Washington, DC <christopher.j.karpenko@usps.gov>; Pasco, Brian L - Washington, DC <Brian.L.Pasco@usps.gov>
Cc: Knopf, Michael (NYC-UMW) <Michael.Knopf@umww.com>; Lockhart, Kenwin (NYC-UMW) <Kenwin.Lockhart@umww.com>
Subject: [EXTERNAL] RE: VBM Display and Digital Video Plan Update

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We aren't able to see which brands/entitles outbidding us. It could be brands coming back aggressively after being offline for a few months, this target audience could fall into other desired audience segments. It could be the political campaigns themselves who would pay a premium for a voter too.

From: Karpenko, Christopher J - Washington, DC <christopher.j.karpenko@usps.gov>
Sent: Thursday, September 24, 2020 10:48 AM
To: Catucci, Lisa (NYC-UMW) <Lisa.Catucci@umww.com>; Pasco, Brian L - Washington, DC <Brian.L.Pasco@usps.gov>
Cc: Knopf, Michael (NYC-UMW) <Michael.Knopf@umww.com>; Lockhart, Kenwin (NYC-UMW) <Kenwin.Lockhart@umww.com>
Subject: [EXTERNAL] RE: VBM Display and Digital Video Plan Update

Do we know who might be outbidding? Curious to see if this is a helpful competitor vs USPS fighting over the same message being delivered.

From: Catucci, Lisa (NYC-UMW) [mailto:Lisa.Catucci@umww.com]
Sent: Thursday, September 24, 2020 10:45 AM
To: Pasco, Brian L - Washington, DC <Brian.L.Pasco@usps.gov>
Cc: Karpenko, Christopher J - Washington, DC <christopher.j.karpenko@usps.gov>; Knopf, Michael (NYC-UMW) <Michael.Knopf@umww.com>; Lockhart, Kenwin (NYC-UMW) <Kenwin.Lockhart@umww.com>
Subject: [EXTERNAL] VBM Display and Digital Video Plan Update

CAUTION: This email originated from outside USPS. **STOP and CONSIDER** before responding, clicking on links, or opening attachments.

Hi Brian,

Hope you're well. We have some updates to share regarding the display and digital video portion of VBM. At the start of the campaign, the team calculated a CPM for our target audience, which in turn allowed us to project impressions. Since this is an auction based buy, the CPM is then used as the bid to win the desired inventory. As we have been in market a few weeks, it appears that we are underpacing. At the current CPMs, we are losing out on bids and thus not getting the inventory – it's worth nothing, there is inventory available but we are simply being outbid. There is a higher amount of activity in the market than anticipated, whether it be election related or simply brands coming back online, probably a combination.

We are proposing to increase the CPMs by [REDACTED] for display and video for GM and HA which will lead to a decrease in impressions overall:

- Display GM and HA – CPM from [REDACTED] to [REDACTED] reduce impressions by [REDACTED] we don't have HA display banners yet but just getting ahead of it)
- Video GM and HA – CPM from [REDACTED] to [REDACTED] reduce impressions by [REDACTED]
- Upfront HA Video – CPM from [REDACTED] to [REDACTED] reduce impressions by [REDACTED]

Additionally, we currently have our media evenly paced through the month but let us know if there is any interest in front loading to the start of October.

Please let us know if you are aligned to this or you'd like to discuss/have any questions.

Thanks,
 Lisa

LISA CATUCCI
SVP GROUP PARTNER

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